

## The One, Big Beautiful Bill Act of 2025

This nearly 900-page tax bill was signed by President Trump on July 4, 2025. It makes many of the individual tax cuts and reforms from the 2017 Tax Cuts and Jobs Act permanent. There are also some significant tax impacts for farmers.

### Depreciation:

**Bonus Depreciation:** Originally scheduled to drop to 40% for 2025, the BBB made 100% bonus depreciation permanent. This applies to assets placed in service after January 19<sup>th</sup>, 2025. Bonus depreciation allows taxpayers to expense the entire cost of an asset in the first year and applies to all farm assets with depreciable lives of 20 years or less, including shops.

**Section 179:** The Section 179 depreciation limit was increased to \$2.5 million starting in 2025, with a phase-out of total asset purchases starting at \$4 million. This means that you can expense up to \$2.5 million of equipment purchases for 2025, assuming total purchases were under \$4 million.

### Estate Taxes:

High net-worth individuals can breathe a sigh of relief after the BBB increased the federal lifetime exemption to \$15 million for 2026. The lifetime exemption was originally slated to drop from \$14 million to \$7.15 million at the end of 2025, had no change been made. This means a married couple with a combined estate value under \$30 million will owe no federal estate taxes, assuming they had not used any of their lifetime exemption prior to death. Federal estate tax brackets remain the same.

### Individual Income Taxes:

#### **Tax Rates:**

The BBB made the tax rate reductions and bracket changes from the TCJA (2020) permanent.

#### **Qualified Business Income Deduction (199a):**

The 199a deduction, also known as the QBI deduction, was made permanent by the BBB. This 20% deduction on qualified business income has provided significant tax savings over the years for farmers and business owners with pass-through entities and rental income. The BBB also increased the phase-out ranges for the QBI deduction.

**No Tax On Overtime (but there is a catch!):**

Single filers can now deduct up to \$12,500 of qualified overtime pay (\$25,000 for married couples) for years 2025-2028. The deduction phases out for modified adjusted gross income above \$150,000 (\$300,000 for a married couple). Farmers should note that farm overtime will not qualify for the deduction, even if a state requires it to be paid. The reason is that farm overtime is not required under the federal FLSA and therefore is not exempt federally.

**Increased Standard Deduction & Senior Exemption:**

The standard deduction increased to \$15,750 for singles and \$31,500 for married couples. Despite discussions of making Social Security tax-exempt, Congress instead voted to give seniors age 65+ an additional \$6,000 deduction beginning in 2025. This deduction is subject to a 6% phaseout beginning at income levels of \$75,000 (\$150,000 for married couples).

**State and Local Taxes (SALT) Cap:**

For those filing state tax returns, an itemized deduction is available for state and local taxes paid. Known as the SALT cap, this was previously limited to \$10,000 per year. The BBB has now increased the SALT cap to \$40,000 per year. This has a significant impact for taxpayers in Oregon and Idaho who itemize their deductions.

**Child Tax Credit:**

The child tax credit was slated to return to \$1,000 per child in 2026. The BBB has increased this to \$2,200 per child and indexes it for inflation for years thereafter in \$100 increments. Additionally, for years beginning in 2025, there is also the additional requirement that at least one spouse AND the qualifying child have a social security number.

## Other Significant BBB Provisions

**1099 Requirement:**

The BBB increased the filing requirement for 1099s from \$600 to \$2,000.

**Corporate Provided Meals:**

Meals provided on the farm premises and for the employer's convenience have been allowed a deduction by c corporations (100%, and then more recently 50%). This deduction was scheduled to be eliminated at the end of 2025. The BBB did not extend this deduction for years after 2025. As a result, c corporations will no longer receive a deduction for their groceries and employer-provided meals.

## Energy Credits:

The \$7,500 new electric vehicle credit (\$3,000 for used EVs) terminates after Sept 30<sup>th</sup>. Solar and resid home energy credits terminate at the end of 2025.